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ANNUAL PROGRESS REPORT

INVESTMENT CLIMATE IMPROVEMENT PROJECT

YEAR ONE (SEPTEMBER 30, 2010 TO SEPTEMBER 30, 2011)



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The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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ACRONYMS

ADS	Automated Directives System
APS	Annual Program Statement
BEE	Business Enabling Environment
BizCLIR	Business Climate, Legal & Institutional Reform
CET	Core Expert Team
CODEX	Codex Alimentarius
COP	Chief of Party
DFID	Department for International Development
EDIP	Enterprise Development and Investment Promotion
ESAF	Expanded and Sustained Access to Financial Services
EU	European Union
FR	Fiscal Reform
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GIZ	German Society for International Cooperation
ICI	Investment Climate Improvement
ICT	Information and Communications Technology
IFC	International Finance Corporation
IMF	International Monetary Fund
IPPC	International Plant Protection Convention
IPR	Intellectual Property Rights
IT	Information Technology
ITC	International Trade Center
LAD	Legal Affairs Directorate
LT	Long Term
LTPO	Large Tax Payers Office
LTU	Large Taxpayers Unit
M&E	Monitoring and Evaluation
MCR	Minimum Capital Requirement
MOF	Ministry of Finance
MOH	Ministry of Health
MONE	Ministry of National Economy
MOU	Memorandum of Understanding
MTIT	Ministry of Telecommunications and Information Technology
NGO	Non-Governmental Organization

NTF	National Task Force
OIE	World Organization for Animal Health
ONA	Organizational Needs Assessment
PA	Palestinian Authority
PACE	Palestinian Authority Capacity Enhancement
PATACS	Palestinian Authority Tax Administration Computerized System
PFI	Palestinian Federation of Industries
PIFBS	Palestinian Institute for Financial & Banking Studies
PMP	Performance Monitoring Plan
PSO	Private Sector Organization
PTO	Patent and Trademark Office
Q	Quarter
RFA	Request for Applications
RFP	Request for Proposals
SOW	Scope of Work
SPS	Sanitary and Phytosanitary
ST	Short Term
STTA	Short Term Technical Assistance
TAT	Technical Advisory Team
TCD	Tax Computer Directorate
TEC	Technical Evaluation Committee
TFP	Trade Facilitation Project
TOT	Training of Trainers
TRIPS	Trade-Related Aspects of International Property Rights
UN	United Nations
UNRWA	United Nations Relief and Works Agency for Palestinian Refugees
USAID	United States Agency for International Development
VAT	Value-Added Tax
WIPO	World Intellectual Property Organization
WTO	World Trade Organization

EXECUTIVE SUMMARY

The Investment Climate Improvement Project (ICI) is pleased to present the accomplishments achieved and challenges overcome during its first year of operation, from September 30, 2010 to September 30, 2011. The Project made significant progress and achievements in its first year, operating within a context of political instability and uncertainties.

Because of the work of ICI, the Palestinian Authority (PA) is now prepared to effectively pursue Observer Status in the World Trade Organization (WTO). With ICI's assistance the PA has also taken substantial steps to prepare for accession that will require the PA to make considerable policy reforms which, regardless of WTO membership status, will improve conditions for trade, economic growth, and job creation. ICI helped strengthen the WTO Unit at the Ministry of National Economy (MONE) which facilitates inter-ministry coordination and helped to revitalize the inter-ministerial WTO National Task Force (NTF) and Technical Advisory Team (TAT). These bodies are made up of over 80 officials from trade related institutions¹ and trade associations to enable the PA to effectively engage in economic reform and multilateral trade issues. ICI provides ongoing expert technical assistance and oversight to the WTO Unit, NTF, and TAT.

The Project trains, advocates, and advises the PA on a variety of WTO-related issues. ICI has introduced Palestinian stakeholders from both the public and private sector to basic principles of trade and the WTO. ICI delivered symposia on the factors important to obtaining Observer Status in the WTO and how Palestine would benefit from aligning itself with the WTO's multilateral trade framework. Stakeholders were introduced to the structure of the WTO as an organization as well as its framework of trade agreements. As the PA worked to plan its approach to requesting Observer Status, ICI presented expert advice on engaging the WTO's General Council. As a direct result of this work, MONE officials are now able to effectively articulate the Ministry's strategy to obtain Observer Status.

To improve the investment environment and prepare for accession negotiations, ICI helped the Ministry understand WTO basic obligations on institutional transparency. ICI delivered symposia introducing Palestinian stakeholders to these obligations, facilitated roundtable discussions on the topic with financial services regulators and providers, and produced and distributed to the MONE and other stakeholders a report detailing the obligations. Because of this advocacy, the NTF and TAT formed a subcommittee on institutional transparency for trade related institutions and will survey institutional practices with a transparency questionnaire developed by ICI.

The Palestinian Authority will also need to be in accord with the Trade Related Intellectual Property Rights (TRIPS) agreement. The PA is now prepared to amend legislation and institutional practices to do just that. ICI recommendations currently under consideration by the PA include adding to Palestinian draft legislation missing provisions on geographical indications, layout designs of integrated circuits, plant varieties, and undisclosed information. To address these recommendations, MONE formed an internal legislative committee of staff from seven MONE units. As part of ICI's commitment to public outreach, the Project created a video explaining the commercial value of intellectual property rights

¹ Trade related institutions include representatives of the Ministry of National Economy, Ministry of Foreign Affairs, Ministry of Finance (Customs Authority), Ministry of Telecommunications and Information Technology, Ministry of Planning, Ministry of Agriculture, Ministry of Tourism & Antiquities, Palestinian Standards Institution, Bureau of Statistics, & Environmental Quality Authority.

(IPR) from a Palestinian perspective. The video successfully changed MONE's view of IPR and the investment environment.

ICI also helped the Palestinian Authority to have a better understanding of the General Agreement on Trade in Services (GATS). Through symposia, a widely-distributed legal brief, and exchanges on different aspects of the agreement, the PA is now in a better position to understand potential obligations under the Agreement and in particular the requirements of the Telecommunications Annex and Telecommunications Reference Paper. Work directly with the Ministry of Telecommunications and Information Technology (MTIT) has also prepared the Palestinian Authority to develop its regulatory framework to govern the telecommunications market.

ICI's Business Enabling Environment (BEE) team achieved a series of marked successes in 2011. Due directly to the Project's work, the time it takes for issuance of a membership certificate in the Palestinian Chamber of Commerce fell from 18 days to only two. Having this certificate is a legal requirement for registration of a business. The BEE team also helped make it less expensive to legally open a business under the PA. Due to the team's advocacy, the minimum capital requirement (MCR) for 'ordinary' companies, 'limited liability' companies, and 'civil' companies fell from US\$14,100 to zero and registrants are no longer required to have an attorney file the registration papers, saving an average of US\$1,000. Additionally, business registration certificates, which were previously issued only after provision of evidence that MCR had been paid, are now presented when all registration conditions have been met. This change reduced the amount of time needed to register a business by three days.

A significant constraint on international investor risk analysis of the Palestinian market is the lack of a compendium of key commercial laws and regulations in both Arabic and English. To meet this need, the BEE team began assembling an inventory of commercial and intellectual property laws in both languages. Work on this compendium is likely to continue throughout the Project's term and is expected to encourage greater international investment in Palestine's economy.

ICI's second component, fiscal reform, had a slow start due to difficulty achieving agreement on project activities with its counterpart, the Ministry of Finance (MOF), but delivered significant accomplishments nonetheless. The fiscal reform team focused its efforts on assisting the MOF in implementing key IMF recommendations outlined in the report, "Completing the Foundation of Modern Revenue Administration." Carrying out these recommendations led to several activities: capacity development of MOF staff, development and publishing of training resources, and an IT needs assessment for the proposed computer tax system. In tandem with efforts to make the MOF's revenue administration more efficient, the Project worked to assist the ministry in developing a framework for greater awareness of tax regulations and procedures among taxpayers.

ICI's fiscal reform training modules were highly successful. ICI's tax specialist carried out eight training courses for Income Tax Directorate (ITD) employees on the newly published tax operations procedures manual, three courses for MOF employees on basic and advanced customer care, several workshops for the Computer Tax Directorate on recently instituted income tax procedures, and an on-the-job consultancy as well as technical assistance for five of 13 ITD offices (the remaining offices are to receive the same training in the next quarter). Concurrently with these capacity building events, ICI assisted in the development of a new income tax operations manual, a VAT systems manual, and new income tax bylaws.

PROJECT BACKGROUND AND CONTEXT

The Investment Climate Improvement (ICI) Project is designed to respond to the unstable political environment in West Bank/Gaza that has served to undermine the Palestinian Authority's (PA) capacity to sustain effective governmental institutions and policies. Although the PA is officially committed to facilitating sustainable economic growth, its capacity to build and sustain the institutional infrastructure required for substantial economic reform is weak and uneven and requires capacity building in numerous areas.

Responding to this need, the ICI Project is working to foster the legal and regulatory frameworks, transparent procedures, and private-sector participation that are crucial for both economic reform and international relationships. ICI is working in cooperation with the Ministry of National Economy (MONE), the Ministry of Finance (MOF), private-sector organizations (PSOs), governorate and municipal officials, and other key stakeholders to address the priority areas of trade, fiscal, and business enabling environment reform.

The Project has two components: Policy Reform and Fiscal Reform. The Policy Reform component has two subcomponents: Preparing the PA to achieve World Trade Organization (WTO) Observer Status and Improving the Business Enabling Environment. The expected overall project results are:

- The PA will be fully prepared for Observer Status in the WTO;
- The Palestinian private sector will be prepared to participate with the PA to fulfill the requirements for accession to the WTO;
- The ranking in the World Bank *Doing Business* indicators for West Bank/Gaza will be improved; and
- PA revenues will increase progressively, reducing the large gap that exists between PA fiscal revenues and expenditures.

Additionally, through grants and subcontracts, ICI is implementing four cross-cutting activities:

- A grants under contract program supporting policy advocacy and institutional development on the part of PSOs, universities, and NGOs.
- As part of ICI's gender plan, gender-related activities meant to increase the role of women and women-owned/managed businesses in the Palestinian economy are being implemented.
- A public information and outreach campaign is being implemented to increase public awareness and support for reforms being addressed by the project through all its activities and goals.
- Institutional capacity building and training programs are being provided for public and private counterparts in order to increase knowledge and skills needed for effective policy analysis and advocacy.

Donor coordination at MOF and MONE is extensive as both Ministries receive technical assistance from several donor organizations. In the areas of concern to ICI, the principal donors are the International Monetary Fund (IMF), the German Society for International Cooperation (GIZ), the International Finance Corporation (IFC), Department for International Development (DFID), and the European Union (EU). ICI staff members regularly meet with or contact representatives of those organizations and, in the case of MONE, carry out consultations through the Ministry's Aid Coordination Unit. As a result of this

coordination, ICI has been able to identify ways in which assistance can be provided on a collaborative basis to address Project objectives with efficiency and increased effectiveness.

SUMMARY OF QUARTERLY PROGRESS REPORTS

I. Quarterly Progress Report 1 – September to December 2010

The ICI Project was officially launched on September 30, 2010. The first quarterly report primarily addressed the administrative and technical start-up activities that were undertaken from October 2010 through December 2010. The following discussion compares the milestones planned versus the milestones achieved.

Project Deliverables

ICI was designed with an aggressive timetable for implementation. A series of quick deliverables were envisioned in order to build momentum and establish a platform for visible, tangible achievements. In the first quarter of project implementation, the following deliverables were submitted:

- **Work Plan:** The activities incorporated in the Year One Work Plan were developed within the first 45 days of project implementation. The plan was drafted and submitted on November 12, 2010.
- **Performance Monitoring Plan (PMP):** The ICI Project submitted its draft PMP in mid-November 2010. The initial draft focused primarily on setting the operating and other project indicators for the policy reform activities.
- **Gender Strategy:** Short-term gender specialist Suzanne Savage was hired and fielded to Ramallah to conduct a gender assessment and to assist in the development of a draft ICI Project Gender Strategy. The report outlining the strategy was delivered to USAID on November 15, 2010.

Technical Implementation Summary

The ICI Project's primary activities during the first quarter were work plan development, stakeholder meetings, and determination of project-related needs of the first-phase principal counterpart, MONE. Substantial effort was also devoted to the development of the project's Gender Strategy and its Communications Plan, both of which entailed substantial collaboration with the Ministry's ICI Project Steering Committee as well as consultation with key stakeholders.

The project has two components, the first of which is divided into two sub-components: WTO Observer Status and Business Enabling Environment (BEE). The project's second component, Fiscal Reform, remained undefined, pending agreement with the MOF regarding institutional needs to be addressed. Technical assistance to the MONE began as per the project's work plan for Component One.

A. WTO Observer Status

During the reporting period, the WTO subcomponent of the ICI Project, in coordination with MONE, achieved early-stage project targets. The ICI Project evaluated the PA's engagement with the WTO to date, assessing previous efforts to become an Observer and the obstacles the PA encountered in this process. Project staff defined the universe of pertinent trade policy reports associated with WTO accession and made these available to officials at the MONE who are responsible for supporting the PA's engagement with the WTO.

Working with ICI's management, the Ministry established a steering committee to provide guidance and advice in the structuring and delivery of project activities and related technical assistance. The members

of this committee and ICI staff collaborated on the development of ICI's draft Year One Work Plan, the draft Gender Strategy, the business enabling environment survey of stakeholders, and the Ministry's World Trade Organization Accession Roadmap. The steering committee remained engaged with the ICI project throughout its duration.

ICI staff also reviewed the work and capabilities of the WTO Resource Center within the MONE and found ways to leverage ICI's planned grants program to assist in strengthening the Center. Working with MONE staff, the project developed a schedule of short-term advisors to address key concerns related to WTO membership and to determine trade policies that are inconsistent with WTO obligations.

B. Business Enabling Environment

The project's BEE subcomponent is tasked with helping the PA adopt and implement laws, regulations, policies, and procedures to improve the business climate while promoting domestic and foreign investment. In particular, the Project will support the development and implementation of a strategy to remove or reduce non-trade impediments to both foreign and domestic investment as set forth in the USAID BizCLIR Report and the World Bank *Doing Business* rankings.

In its first phase, the project began addressing possibilities for achieving high-impact and verifiable results through reform of existing regulations and procedures and through amendment of administrative law and ministerial instructions in order to generate increasing consensus in favor of BEE reforms. During the reporting period, the BEE subcomponent began to engage key stakeholders to evaluate and prioritize reforms identified in the *BizCLIR: For the Palestinian Economy* report and World Bank *Doing Business* report. The BEE team leader, Evan Scott Thomas, accompanied by a representative of the MONE, conducted meetings in Ramallah, Hebron, Nablus, Jenin, and Bethlehem. Among the stakeholders consulted were officials at MONE regional offices and representatives of business and industrial associations, chambers of commerce, municipalities, local NGOs, women's groups, and donor organizations with parallel interests in policy reform and institutional strengthening in areas related to the ICI Project's mandate.

The stakeholder meetings contributed to the development of a shortlist of prospective policy reform issues that offer the potential for rapid and tangible improvements in the business enabling environment, including topics relating to labor law and policy; public procurement; used vehicle sales and imports; limited liability; bankruptcy and liquidation; secured transactions; and issues impeding women's participation in business. The prioritization process, carried out in collaboration with MONE staff, was initiated at the close of the first quarter.

Summary of ICI cross-cutting activities undertaken in the first quarter:

- **Gender Strategy:** As its first technical intervention, the ICI Project mobilized a gender expert to carry out an assessment of issues and constraints affecting the economic position of Palestinian women and to develop an inventory of possible activities that could be incorporated into the Year One Work Plan. In addition, the gender expert outlined a set of principles to support these activities. The strategy will guide how project activities, results, and indicators of success can be aligned with increasing women's participation in the economy and mitigate any unintended negative consequences on men and women.

- **ICI Grants Program:** During this quarter, the ICI Project prepared the guidance documents necessary for the creation of the grants under contract program. This program will award grants to qualified organizations with the goal of creating appropriate advocates for the policy reforms promoted under the ICI Project's Component One.

II. Quarterly Progress Report 2 – January to March 2011

The second quarter of the ICI Project included the transition from the first quarter start-up activities to a greater focus on implementation, in addition to solidifying established partner relationships while continuing to address ongoing start-up requirements. ICI Component Two: Fiscal Reform was also launched during this quarter. The following summary provides an overview of key activities conducted by the ICI Project, divided by component.

A. Component 1: Policy Reform; Subcomponent: WTO Observer Status

WTO Resource Center & WTO National Task Force/Technical Advisory Team: ICI undertook an activity to strengthen the MONE's WTO Resource Center by expanding key WTO reference materials and online resources and supporting the upgrade of IT hardware and software for the Center. ICI staff members worked with WTO Center staff members to develop an updated, accurate inventory of currently available materials about the WTO and trade issues. ICI also made possible online access to key trade-related databases. ICI continues to assist the MONE's WTO Unit as the secretariat to the Palestinian authorities interministerial committee on the WTO.

ICI facilitated the revitalization of the PA's WTO National Task Force (NTF) and Technical Advisory Team (TAT). ICI worked with the MONE to complete the designation of members of the NTF and TAT and to provide information resources to those members through the Center and through ICI program activities. During this quarter, ICI staff members worked in coordination with MONE to confirm the members in key trade-related ministries (for example, the Ministries of Foreign Affairs, Finance, and Telecommunications and Information Technology). ICI also engaged those individuals in trade policy exchanges focused on the WTO as an institution and how to obtain Observer Status.

IPR Initiative: As part of ICI's program activities addressing intellectual property rights (IPR) protection in the context of the Trade-Related Aspects of International Property Rights (TRIPS) agreements, a series of four roundtable discussions were conducted with representatives of the IT industry, media, creative industries, the public sector, and the legal services community. A consensus emerged among the participants that stronger IPR legislation and enforcement is needed in Palestine. At the same time, however, intermediate steps are necessary to ease the transition to a higher level of IPR protection, including the use of contractual provisions and increased public understanding of IPR. ICI is providing technical assistance addressing such intermediate steps as well as an expert review and advice on the Industrial Property Rights Law.

During the reporting period, ICI staff members worked with the Director of the Industrial Property Registration Department within MONE, Ali O. Thoqan, to identify institutional requirements for improved regulation and enforcement of IPR. The Department is the PA's focal point for engagement with the World Intellectual Property Organization (WIPO). The department has plans for "Creative Centers" in Hebron, Nablus, and Ramallah to enable youth and industry to better understand intellectual

property rights and protections. Mr. Thoqan prepared a gap analysis of existing legislation and regulations relative to TRIPS obligations and shared it with ICI. The Project is working with the Department on legislative reform, improved IPR enforcement, and increased public awareness. STTA Craig Blakeley spent an in-country work period assisting staff from MONE and the Ministry of Culture in reviewing the current state of the IPR legislative framework in the light of the TRIPS Agreement.

Masters Degree Program in International Trade Law and Policy: ICI and USAID staff members met with Dean Mahmoud Eljafari of Al Quds University to discuss the possibility of establishing a Masters-level degree program in international law and policy. The Dean expressed interest in formulating such a program and invited ICI to meet with other officials of the University's administration. ICI staff also outlined the ICI grants program and those elements that would be appropriate as a financing source for certain aspects of the technical assistance necessary to support the degree program, such as faculty training, visiting professors, scholarships, as well as trade-related research studies.

ICI and USAID staff members subsequently met with Dr. Marwan Awertani, Acting President of the University, and other administration officials. As a result of the meeting, ICI prepared a Concept Paper outlining the potential scope of the degree curriculum, relating successful experiences in establishing similar programs in other countries, identifying communities of potential enrollees, and setting out issues related to sustainability. The Concept Paper was reviewed and approved by USAID and the Minister of National Economy and has been submitted to the University. Additional discussions regarding implementation issues were carried out early in the next quarter.

B. Component 1: Policy Reform; Subcomponent: Business Enabling Environment

Policy Reforms: ICI staff members provided to MONE a detailed progress report on the BEE subcomponent's activities, particularly those related to three policy reforms that were prioritized and sequenced for action this quarter: (1) a revision to the Company Law amendment that would reduce or eliminate the Minimum Capital Requirement (MCR); (2) a decision of the Cabinet of Ministers permitting electronic communications and approvals among public sector entities; and (3) a ministerial instruction clarifying that company registration occurs prior to, not subsequent to or in parallel with, company licensing and permitting.

On the strength of legal advice provided by ICI, the Minister of National Economy issued an instruction to the Company Registrar to strictly enforce statutory provisions that establish the MCR; the effect of such enforcement is the practical elimination of MCR for all but large companies. Staff members of the MONE Aid Coordination Unit reported that the Minister has instructed that all BEE-related recommendations are to be facilitated, in particular preparation of a draft revision to the Company Law Amendment currently awaiting Presidential signature that would derogate the MCR. These reforms should improve West Bank/Gaza's ranking in the World Bank's *Doing Business* indicators.

E-transactions Legislation: STTA Craig Blakeley has provided expert review and advice on provisions in draft legislation concerning e-approvals and e-commerce law and regulation. This assistance was carried out in coordination with Safa Naser Aldeen, an e-government consultant at the Ministry of Telecommunications and Information Technology (MTIT), and Sabri Saidam, IT Adviser to the President. In related assistance Blakeley, ICI staff members, and Anas Ahmad of MONE's Aid

Coordination Unit evaluated legislative and administrative requirements for streamlining the company registration process.

C. Component 2: Fiscal Reform

Development of a draft work plan and related action plan for Component 2 activities continued through consultations with USAID, MOF officials, and related consultants. Modification of the Ministry's draft Fiscal Reform Action Plan was carried out in accord with recommendations from the IMF. The Action Plan focuses on implementation of reforms set forth in the Report on Completing the Foundations of Modern Revenue Administration, issued in December 2010. The Fiscal Reform Team Leader reviewed the resulting modifications with appropriate MOF officials in April 2011 and reached an agreement on all related ICI Work Plan activities as well as a coordinated program of technical assistance regarding tax administration reform.

Summary of ICI cross-cutting activities undertaken in the second quarter:

- **Public Outreach and Awareness:** The ICI Communications Plan was completed during the second quarter. It serves as the basis for the development of activities to support a Public Outreach and Awareness Campaign that addressed reforms and policy issues in both of the Project's components. The campaign is led by the ICI Deputy Chief of Party who joined the staff in the third quarter. The campaign works in coordination with PA counterparts, notably MONE and MOF, private stakeholder organizations, educational and research institutions, ICI grantees and members of the media to increase public understanding of and support for the policy and institutional reform in trade, business and tax policies being addressed during the course of the Project.
- **ICI Grants Program:** ICI identified 45 organizations as potential grants candidates for the first two phases of the Project's grants program. At the quarter's end, partner assessments of 30 candidates were underway, with completion targeted for April.

III. Quarterly Progress Report 3 – April to June 2011

The third quarter of the ICI project saw a marked increase in project activities and expert-provided technical assistance. By the end of the quarter, most of the major start-up requirements were addressed and most staff positions filled.

A. Component 1: Policy Reform; Subcomponent: WTO Observer Status

WTO Symposia and Roundtables: On April 18-20, 2011, ICI held a symposium that provided an overview of the WTO, its principal agreements and issues related to Observer status. Participants were drawn from key trade-related ministries, the private sector, and members of the NTF and the TAT. STTA Amelia Porges led the program, which included participation by several local experts as well as the Minister of National Economy, HE Dr. Hasan Abu Libdeh, and the former Minister, HE Basem Khoury.



April 18, 2011: WTO Symposium

The symposium highlighted key provisions of the agreements, the structure, and the procedures of the WTO. An updated review of the PA's efforts to address Observer Status was provided. The symposium also offered a forum for a wide exchange of views on the WTO as an institution, questions related to the potential impacts on Palestine's economy, and issues related to how the PA can achieve Observer Status.

On May 2-4, 2011, ICI conducted a WTO Transparency Symposium that addressed transparency obligations contained in numerous WTO agreements. STTA Richard Self, former Deputy United States Trade Representative, led the program. Presentations were delivered by Mr. Self as well as by spokesmen for several Palestinian institutions, such as the Customs Directorate, the Palestinian Monetary Authority, the Ministry of Agriculture, the Standards Institute, and the insurance industry.

The program focused on transparency-related institutional, procedural, and administrative reforms, including advance notice, publication, and comment on rules and regulations. Full implementation of these reforms by the PA would bring immediate benefits to trade-related institutions and the marketplace. The PA has already achieved high levels of transparency in the procedures for development of rules, regulations and notification by its institutions that deal with the financial sector, including the MOF, the Monetary Authority, and the Capital Market Authority. These offer a model for similar reforms to be adopted in other trade-related institutions.

Roundtable sessions on financial services and IPR obligations were led by Richard Self in May on related commitments under the General Agreement on Trade in Services (GATS). The roundtable on financial services was designed to allow private sector participants to gain an understanding of the nature of GATS commitments and how the private sector and regulatory institutions can contribute effectively to negotiations on services. The roundtable on IPR was provided primarily for representatives of local pharmaceutical companies to consider transparency provisions of TRIPS. Discussants also considered the trade issues pertinent to the generic drug industry; the lack of chemical

inputs for pharmaceuticals in West Bank and Gaza; and ways to employ patents to protect product development. Mr. Self and MONE officials led the sessions.

WTO National Task Force/Technical Advisory Team and WTO Resource Center: As part of implementing the Cabinet Decision taken in early 2010 to form a NTF and TAT on WTO membership, MONE, with assistance from ICI, convened a meeting of these groups in May to initiate inter-ministerial consultation on WTO Observer Status. The composition of the two groups reflects ICI's recommendation that they include a broad scope of trade-related institutions and stakeholders, such as the Ministry of Foreign Affairs. MONE assembled a comprehensive representation of key constituencies after several consultations on the ICI matrix of trade-related institutions associated with the WTO framework. This development indicates recognition of the importance of inter-ministerial cooperation and coordination on WTO issues.

With the activation of preparations for filing the Observer Status application, the Resource Center began assuming the secretariat functions with support from the ICI Trade Policy Advisor and Legal Advisor who are both embedded at the Ministry.

Delegation to Geneva WTO Meetings: Beginning in April, the MONE began evaluating options for the timing of the application for Observer Status. ICI staff members, with STTAs Amelia Porges and Richard Self, met with MONE officials to offer advice on how the WTO operates and how to garner support for the proposed application. On the basis of this assistance, the PA formulated a written request that the General Council of the WTO exercise its flexible authority to decide on Observer applications on a case-by-case basis and in the context of its consensus-based decision making. ICI staff and STTAs have provided ongoing support, advice, and assistance for WTO preparations.

The PA gave serious consideration to submitting the application for consideration at the July meeting of the General Council. However, the PA decided to defer a decision to file the request until completion of the application and supporting documentation. The Authority also decided to wait for a welcoming atmosphere in Geneva. ICI staff members continued to provide assistance with the necessary document preparation and consideration of potential challenges to the application.

IPR Initiative: Utilizing information provided by STTAs Craig Blakeley and Polly Maier, the ICI staff developed an IPR Roadmap at the request of the Minister of National Economy. The IPR Roadmap provides guidance on needed IPR legislation and the timing of IPR-related project activities.

Over the course of the quarter, Ms. Maier reviewed existing and draft Industrial Property Rights laws and prepared recommendations to support the creation of a TRIPS-compliant IPR framework for Palestine. Ms. Maier prepared an inventory of existing industrial property rights legislation as well as draft legislation. Upon completion of the review of Palestine's current IPR laws, she prepared draft legislation and amendments to cover geographical indications, industrial design, layout designs of integrated circuits, undisclosed information, protection of new varieties of plants, as well as IPR enforcement. Ms. Maier also completed the WTO's TRIPS compliance checklist to demonstrate coverage and shortfalls in the PA's IPR framework (WTO's Technical Note on IPR WT/ACC/9).

ICI staff members worked with the Director of the Industrial Property Registration Department within MONE to identify the Ministry's institutional requirements for improved regulation and enforcement of

IPR. The Ministry is interested in developing a formal relationship with the US Patent and Trademark Office (PTO). ICI staff initiated similar discussions with the TRIPS division of the WTO Secretariat to identify resources that can be made available to PA officials in order gain increased understanding of how private sector stakeholders in developing countries can make effective use of IPR protection and ways in which governments can develop transitions to stronger IPR enforcement.

GATS-related Activities: ICI delivered program activities between May 31 and June 12 for Palestinian trade stakeholders on the GATS including the Telecommunications Annex and Reference Paper. Briefings targeted members of the NTF and the TAT on the GATS Agreement, scheduling commitments, and negotiation techniques and skills. A roundtable session on the Telecommunications Annex was held with representatives of telecommunications operators and industries that depend heavily on telecommunications infrastructure and services. Briefings on financial services commitments under the GATS were also delivered to officials of the Capital Markets Authority and the Monetary Authority. As a result of this session, the two agencies evaluated whether their current rules, regulations or administrative procedures may impede trade in financial services. STTA Laura Sherman led these activities, collaborating with Martin Taschdjian in developing an assessment of the current telecommunications law and regulation relative to GATS compliance.

Masters Degree Programs in International Trade Law and Policy: The Al-Quds University Board approved the proposed Masters degree program and the initiation of planning for the course curriculum and the proposed trade policy institute. ICI will continue to explore this opportunity, working to find the best counterpart(s) to collaborate with on this activity in the upcoming quarters.

ICI received an unsolicited request for funding and technical assistance from An-Najah National University for the restructuring of two existing Masters degree programs, one in law and another in finance/business. The University seeks to incorporate trade related courses into the curricula of those programs and obtain ICI support for creation of a research institute on intellectual property rights. ICI contracted James Taylor to provide initial advice on how the curricula of these programs might be revised and to assist the university in the development of a concept paper and grant proposal for consideration by the ICI grants component.

B. Component 1: Policy Reform; Subcomponent: Business Enabling Environment

Policy and Administrative Reforms/Doing Business Indicators: ICI staff members provided MONE with a report outlining recently adopted procedural and administrative reforms. The report was submitted to the survey team responsible for collecting data required to make the annual calculation of the World Bank's Doing Business indicators. The ICI-provided information was supplemented by information supplied by ESAF. Once these reforms are included in the calculation of the new indicators, West Bank/Gaza should experience an improvement in the Starting a New Business ranking as well as an improvement in its overall ranking.

Additional administration reforms at MONE that are supported by ICI and will facilitate improved business regulation are the implementation of unique log-in usernames and passwords for members of the public to access MONE services through the Ministry's web portal and the adoption of a policy supporting the use of e-communications (primarily e-mail messages) for communications between all Ministry offices and departments. These innovations are expected to reduce time required for the

processing of MONE services and increase efficiency in procedures related to business regulatory requirements.

Commercial Law Inventory: The lack of a definitive inventory, including late-stage draft laws and regulations, in English is a serious impediment to legal risk analysis that investors normally require as a matter of due diligence. Moreover, eventual accession to the WTO cannot take place until Palestine notifies all Member States of its commercial laws, regulations, procedures, and standards in English. Consequently, the first phase of development of a comprehensive catalog of commercial laws and regulations was completed with the inventorying of key commercial laws not related to WTO obligations. In quarter two, the Project continued preparing English translations of those laws for inclusion in the inventory. ICI will compile work done to date by the end of November, and will be part of the documentation handed over to MONE.

E-transactions Legislation: During this quarter, STTA Craig Blakeley continued to provide expert commentary and advice on provisions contained in the draft e-transactions legislation. He prepared two memoranda on fundamental statutory requirements concerning e-signature and cyber-crime that are required to ensure that the draft legislation conforms to related international best practices. This assistance was provided to the inter-ministerial committee responsible for preparing the draft legislation and is being carried out in coordination with the Ministry of Telecommunications and Information Technology (MTIT) and the Office of the President.

MONE IT Needs Assessment: ICI staff members completed the IT Needs Assessment, working in collaboration with PACE and GIZ staff as well as IFC consultants. The assessment included recommendations designed to considerably upgrade the capabilities of the WTO Resource Center, the Ministry's IPR Unit and the IT Department (most notably, the MONE's Web-based portal) and support implementation of the proposed moveable properties registry. Progress on securing USAID approval for this procurement continued into the fourth quarter.

C. Component 2: Fiscal Reform

Priority technical assistance activities presented in the draft ICI Work Plan were accepted through conversations with the MOF. They are:

- IT Needs Assessment for the Income Tax, VAT and Computer Tax Directorates;
- Income Tax Operating Procedures Manual;
- Integration of the Income Tax and VAT Departments;
- Capacity building for staff of the Large Taxpayer Office; and
- Taxpayers self assessment.

Capacity Building: The principal technical assistance undertaken during this quarter was the initiation of an intensive training program for staff members of the Ministry's Income Tax Directorate on the use of the new Income Tax Operating Procedures Manual (prepared by the PACE Project). ICI provided 350 copies of this manual, and the training program was completed by 192 employees of the Income Tax Department and the Large Taxpayers Office. The training began in mid-May and was completed in late June. An additional training program on auditing taxpayer files was provided for 11 staff members of the Large Taxpayers Office. Embedded Tax Development Policy Adviser Yaqoub Ayyad worked with

the ICI Fiscal Reform Team Leader to design and deliver the capacity building training programs carried out this quarter.

VAT System Manual: ICI supported publication of a VAT System Manual. Two hundred copies of the manual were printed and delivered to the VAT Directorate to train new VAT employees and Income Tax Auditors on using the VAT System.

MOF IT Assessment: In conjunction with evaluation assistance related to options for implementing the Palestinian Authority Tax Administration Computerized System (PATACS), ICI and PACE staff completed the assessment of IT needs of the Income Tax, VAT, and Computer Tax Directorates and developed recommendations for related procurements.

COMPONENT ONE: POLICY REFORM

A. Subcomponent: WTO Observer Status

The PA has placed high priority on eventually achieving membership in the WTO in order to ensure that the Palestinian trade regime conforms to the multilateral trade framework. In the context of supporting the PA's application for Observer Status, ICI provides assistance that will enable the PA to effectively engage in trade negotiations.

Subcomponent activities relative to the WTO focus on four related priority areas:

- Assistance for achievement of Observer Status and eventual WTO accession, particularly regarding the development of WTO-compliant laws, regulations, and procedures;
- Technical support for the MONE WTO Unit, NTF, and TAT;
- Technical assistance to expand the capabilities of the MONE's WTO Resource Center; and
- Support for unilateral WTO-related institutional and policy reforms.

As a direct result of ICI's work, the Palestinian Authority is now prepared to effectively pursue Observer Status in the WTO, which is the first step toward full WTO membership. Within this context, ICI is assisting the PA in adopting institutional, legal, and policy changes necessary to meet WTO obligations. These are changes that will improve conditions for trade, economic growth, and job creation regardless of WTO membership status by improving the investment environment.

MONE WTO Unit, NTF, and TAT: With ICI's assistance, the MONE WTO Unit successfully launched and is now supporting the NTF and TAT. While the five-person Unit supports WTO initiatives within the Palestinian Authority, the members of NTF and TAT represent over 80 officials from trade related institutions and trade associations to enable the PA to effectively engage in economic reform and multilateral trade issues. ICI employs its expert staff and short-term consultants to provide training, recommendations, and up-to-date reporting to these three entities.

The Project supports the MONE WTO Unit, NTF, and TAT with the following activities:

- ICI delivered presentations to the NTF and TAT on how ministries can effectively engage in determining economic and trade priorities for the PA.
- ICI is helping NTF and TAT in their development of an inventory of WTO relevant laws and regulations. This inventory will enable the PA to evaluate trade related legislation in light of potential WTO obligations. It will also provide a basis for the PA's application for Observer Status in the WTO.
- In early September 2011 the Project made recommendations to TAT on institutional transparency in view of WTO obligations and agreements. TAT adopted these recommendations and formed a subcommittee to assess the transparency practices of the PA.
- ICI's IT experts created a secure website for the NTF and TAT that functions as a document library for housing trade papers. The library is currently serving 25 members of the two teams.
- ICI designed and plans to provide a training program for NTF and TAT consisting of six components lasting two weeks each on different aspects of the WTO. Due to the constraints of the reduced spending plan, the Project is currently unable to field the short-term technical experts who were slated to deliver these trainings. The module components are as follows:
 - Foundations of International Trade I & II;

- TRIPS;
- GATT;
- GATS;
- WTO Skills Training (including modules on trade negotiations, trade research, writing for the WTO, and advocacy).



April 18, 2011: Symposium on the World Trade Organization

WTO Basic Obligations on Institutional Transparency: An unpredictable policy framework is a major source of risk and a barrier to investment. The business environment in Palestine is already viewed as highly risky; the PA can improve how it creates and implements regulation to ensure a predictable regulatory environment. Long-term, capital intensive investments with large upfront costs that require patient capital and long-term payback are extremely sensitive to regulatory risk generated by opaque and unpredictable regulation of the marketplace. Because of ICI's work, the PA is aware of the value of institutional transparency and is working to improve it. Assisting in this task, ICI has carried out the following activities:

- Delivered symposia to advise Palestinian stakeholders on institutional transparency obligations under the WTO.
- Conducted roundtables with financial services regulators and providers on WTO transparency obligations in the financial sector.
- Produced a report which was delivered to the NTF and the TAT identifying general institutional transparency obligations under the WTO and unique transparency obligations under WTO agreements.

- As a result of the transparency symposia and companion report, the NTF and TAT created a subcommittee on transparency to examine institutional transparency practices among trade related institutions.
- ICI also developed a transparency questionnaire that can be used to determine current transparency practices in trade related institutions.

Palestinian Ambassadors' Meeting: ICI supported a MONE delegation at the second meeting of Palestinian ambassadors in Istanbul in July. The delegation was composed of Minister Abu Libdeh, Mr. Ramadan Badaha, the Director of the WTO Unit at MONE, and Ms. Enas Abu Laban, the ICI Trade Specialist. The objective of the delegation was to update Palestinian ambassadors stationed around the world on Palestine's interest in obtaining Observer Status at the WTO; to report on preparations undertaken so far; and to request ambassadorial-level advocacy with WTO member country governments. In preparation for the meeting and to facilitate the ambassadors' advocacy efforts, ICI developed a booklet and CD with background material and supporting documents, which included the following:

- Overview of the WTO;
- Questions and answers on WTO Observer Status;
- Concept paper on potentials for opposition to Palestine's application;
- Memo on relevancy of WTO efforts with UN efforts;
- Suggested letters of advocacy for the application;
- Presentation to be delivered at the Ambassadors' meeting;
- Memo on readiness plan for the accession;
- Suggested talking points for President Abbas and the Minister of Foreign Affairs;
- Update of the advocacy concept paper.

WTO Visit: The Minister of National Economy participated in the General Assembly of WIPO from the 26th to the 28th of September. During his visit to Geneva, he also met with Pascal Lamy, Director General of the World Trade Organization, Francis Gurry, Director General of the World Intellectual Property Organization, and Petko Draganove, Deputy Secretary General of the United Nations Council on Trade and Development. ICI provided speaking points and briefing materials for the Minister on IPR and the WTO in preparation for this visit.

ICI Trade Specialist Enas Abu Laban accompanied the Minister in Geneva to support him in his discussions regarding future technical assistance opportunities with the WTO. The atmosphere of the discussions was positive. Pascal Lamy and Francis Gurry expressed their organizations' interest in providing technical assistance to help the Palestinian Authority become more engaged in the multilateral trading system.

Trade Related Intellectual Property Rights (TRIPS): Due to ICI's efforts, the Palestinian Authority is now prepared to amend legislation and institutional practices in adherence to the TRIPS agreement. ICI is reviewing six legislative memoranda provided by STTA Polly Maier on key components of industrial property rights protection. In the next quarter Ms. Maier will participate in video conferences with MONE, TAT, and NTF to provide opportunities for exchanges on her assessments and recommendations. The MONE has formed a special legislative committee to review these recommendations. In addition, STTA Craig Blakeley and the ICI team developed a model contract provision for the private sector that a firm can use to protect IPRs within its business operations and

particularly with employees. The model provision was translated into Arabic and reviewed by a local law firm for consistency with the Palestinian marketplace. With the renewal of funding it will be presented to information technology firms.

IPR video: ICI completed a video to inform public and private sector of Palestine's interests in protecting intellectual property rights. The video documents Palestinian business leaders, artists and representatives from partner PA ministries in their discussions related to IPR. Its purpose is unique in that it is not a traditional communications piece explaining what the ICI project does, but is intended to develop a dialogue with Ministry staff as a part of the ICI project's goals of preparations towards WTO acceptance. The video was shown to Ministry staff within the PA and at various events with both the private and public sector.

The IPR video was effective in changing MONE perceptions about the importance of intellectual property rights protection. After viewing the video, public officials better understood the relationship between investment and IPR protection. The video enhanced the MONE's ability to articulate how individual industries in Palestine could gain from stronger IPR laws. More generally, the video was a catalyst in helping the Ministry move forward in its legislative review of the industrial property rights law with support from ICI.

GATS – Regulation of trade in services: Because of ICI's work, the Palestinian Authority is in a better position to implement the pro-competitive regulatory principles of the WTO's Telecommunications Reference Paper under the GATS agreement to lower the cost and improve the quality of telecommunications services in Palestine that are critical to trade and engagement in a global economy. Bringing the regulation of the telecommunications market up to international standards is a high priority in improving the investment environment, especially in light of the extreme constraints on movement of goods and people in Palestine.

ICI carried out the following activities relating to the GATS agreement:

- Delivered symposia to advise Palestinian stakeholders on GATS and its subsidiary agreements on Telecommunications, including the WTO's Telecommunications Reference Paper.
- Produced a legal brief comparing the PAs legal framework governing telecommunications with potential WTO obligations.
- Led a workshop for staff of the Ministry of Telecommunications and Information Technology (MTIT) on developing a long-run incremental cost model as well as related interconnection policy and its relationship to the overall objectives of telecommunications regulation.
- Contracted a telecommunications economist to work for three weeks in the MTIT with regulatory staff on telecommunications accounting policies, data reporting requirements for telecom providers, competition policy and enforcement, as well as international trends in licensing.
- Shared a joint report by STTAs Laura Sherman and Martin Taschdjian, *Strengthening ICT Regulation in West Bank Gaza in View of the WTO*, with MONE. ICI recommended the MONE select one official to be responsible for examining each component of this very technical but important document to ensure that the Ministry gains a full understanding of the study's value in light of WTO accession requirements and immediate regulatory reform in the Palestinian market.

In addition, ICI reviewed two bids to conduct a Services Industry Survey. The survey is designed to identify constraints in the domestic market to service industry growth as well as trade barriers encountered by firms in neighboring markets.

GATT: ICI met with Kelly Seibold, Chief of Party of the Trade Facilitation Project, at the end of July to discuss the need for a comprehensive customs law that would be compliant with WTO obligations. It was agreed that ICI would review the current legislation in the context of its work on trade legislation. ICI reviewed TFP's recommendations on an effective approach to developing a model customs law and, at the time of reporting, is developing a scope of work to reflect those recommendations. Developing a full model customs law is a fundamental step in advancing the PA's trade policy authority over trade in goods to help lay the foundation for accession to the WTO. This activity, coupled with a tariff study, the scope of which is being discussed with MONE, will help address the substantial gap in the PA's regulatory authority of trade in goods.

Before the reduced spending plan was put into effect, ICI was finalizing preparations for STTA consultancy by Luis Abugattas to recommend a trade policy framework governing agricultural disciplines, rules of origin, and trade remedies which are necessary to help the PA move toward full autonomy over trade policy when that becomes possible.

PA Status in international standards setting bodies: Several WTO agreements require adherence to international standards in, for example, intellectual property rights, trade in goods, and trade in services. ICI has reviewed the PA's engagement in several important international standards setting bodies and will support deeper PA involvement with those entities that will allow PA membership. They include Codex Alimentarius (CODEX), International Plant Protection Convention (IPPC), Sanitary and Phytosanitary (SPS) requirements, and the World Organization for Animal Health (OIE). At the invitation of ICI, Dr. Samir Alfuhaha of the Ministry of Agriculture briefed members in the third TAT meeting on both SPS requirements and a recent report on Palestinian compliance with SPS international standards. ICI engagement with the PA regarding these other international standards setting bodies is ongoing.

B. Subcomponent: Business Enabling Environment

In the World Bank's *Doing Business 2010* report, West Bank/Gaza's consolidated ranking is 135 out of the 183 countries evaluated. Legislative, regulatory, and procedural actions taken to improve this ranking will improve the business and investment climate in the Palestinian economy. The ICI Project is identifying legal, regulatory and administrative constraints related to the *Doing Business* ranking and is also working to remove or reduce impediments to investment as outlined in the BizCLIR assessment, the Palestinian National Plan, and numerous donor-funded evaluations of Palestine's economy.

ICI project staff are collaborating with the MONE, counterparts in other trade-related ministries, and private sector representatives (for example, the Palestinian Federation of Industries (PFI), PalTrade, the Palestinian Information Technology Association (PITA), as well as other business associations) to address key policy, legal, and regulatory issues. Where identified business constraints are not within MONE's jurisdictional purview or are within inter-ministerial purview (for example, e-transactions legislation), ICI liaises with designated representatives of other ministries with which coordination is required.

The partnership between the MONE and ICI resulted in the following significant business registration reforms:

- Reduction in the time it takes for registrants to receive the required certificate of membership in the Palestinian Chamber of Commerce from 18 days to two days;
- Elimination of the minimum capital requirements for the registration of “ordinary companies,” “civil companies,” and “limited liability companies,” saving registrants approximately \$14,100 USD.
- Elimination of the practice of requiring an attorney to file company registration documents, saving registrants an average of \$1,000 USD.
- Immediate issuance of an effective company registration certificate when all registration requirements have been met, saving registrants the additional step of obtaining a “temporary registration certificate” and reducing the time it takes to register a company by three days.

These improvements, combined with continuing BEE activities, are expected to improve Palestine’s business enabling environment.

ICI’s BEE activities will continue to support reduction or elimination of constraints identified in the BizCLIR report that affect the overall legal and regulatory environment for both foreign and domestic investment. Further, technical assistance is being provided to support harmonization of commercial laws through both the WTO and BEE subcomponents. This assistance will support the creation of a comprehensive commercial legal and regulatory framework for Palestine that will be consistent with WTO requirements and internationally recognized best practices.

Compendium of key commercial laws and regulations: ICI is currently compiling a compendium of key commercial laws that will be accompanied by quality English language translations. This compendium will be distributed to organizations such as banks, PSOs, and the Palestinian Investment Promotion Authority to facilitate greater understanding among investors of Palestine’s commercial and business regulatory framework. This effort is expected to facilitate increased international investment, as potential investors will have easier access to English language translation of key commercial and investment related laws.

Legal and regulatory reform: As part of its aim to improve the business enabling environment in Palestine, ICI continues to review, comment on, and make recommendations for improvement of the commercial legal and regulatory framework in Palestine.

The ICI BEE subcomponent engaged in legal review and provided advice to the MONE on the following draft legislation being considered for enactment by Presidential Decree:

- Draft Company Law;
- Industrial Associations Law;
- Corporate Agents Law; and
- Amendments to the Chamber of Commerce Law.

With respect to the Draft Company Law, ICI experts identified significant omissions in the law that were communicated to the MONE, particularly with respect to corporate governance.

After providing these legal reviews, the MONE requested ICI help in preparing its contribution to the new PA legislative agenda. ICI has been assisting the Ministry develop priorities for laws and regulations that need drafting or amendment. Further, ICI assistance will assure that crucial laws for WTO admission are included in the agenda. Moreover, ICI will provide MONE with assistance relating to planning its participation in the agenda creation process, drafting of a policy paper that supports the priorities set forth in its agenda recommendations, and supporting legislative drafting.

Bankruptcy law STTA expert Henry Schiffman completed a two-week assignment to review the PA's bankruptcy framework. During the visit he reviewed the bankruptcy provisions set forth in the Commercial Law and the draft Law on Bankruptcy; met with USAID and the Minister of National Economy; held 14 consultations with members of the judiciary and representatives of the public and private sector; and held two roundtables with practicing attorneys. Both his report recommending reforms to the PA's bankruptcy legal framework and his draft bankruptcy law (Law on Debt Resolution), which is tailored to the unique circumstances found in the Palestinian Territory, were translated into Arabic and shared with MONE. ICI will provide the MONE with a revised draft law for its staff to harmonize its definitions with those of existing PA statutes, after which it will be ready for action by the Palestinian Authority. In 2011, Palestine was ranked 183 of 183 countries surveyed with respect to closing a business. The adoption of a modern bankruptcy regime should substantially improve Palestine's ranking in the World Bank *Doing Business* report, as well as increase access to credit by Palestinian businesses.

Reaching out to the private sector: As part of ICI's continuing initiative to engage with influential private sector organizations, ICI staff met with, among other PSOs, the Palestine Food Industries Association, the Palestine Federation of Industries, and the Palestine Federation of Chambers of Commerce to discuss the project and its policy reform component. During these meetings, ICI explained its grant under contract program, described the request for application process, and answered questions related to grant application.

ICI engaged three private sector organizations, PalTrade, the Palestinian Federation of Industries, and the Business Women's Forum, to survey 150 private sector businesses on: constraints in the business enabling environment; the quality of service provided by the MONE; the effect of the legal framework on the private sector; and gender issues that impede women's participation in business. ICI coordinated the design of the survey between the three groups. The results of the survey provided invaluable feedback and data from the private sector on the business environment and ways to improve the legal framework and business enabling environment. Each group created a presentation and report outlining these results, which will be presented to the MONE for their review.

ICI will continue to build the capacity of the private sector to more effectively take part in the reform of Palestine's commercial regulatory framework as well as provide support for crucial improvements.

IT assessment for MONE: An important subordinate objective of ICI's BEE subcomponent is to provide new business registrants with greater access to MONE services and information through a user-friendly and fair set of procedures and regulations. By enhancing the existing IT infrastructure and building the capacity of IT staff at the MONE, ICI helps to improve the quality of the services provided and increase access to this information on a broad public scale. Proposed enhancements to the MONE IT infrastructure will:

- Improve internal communications within the Ministry and, when combined with improvements planned by GIZ, facilitate increased functionality of its regional offices,
- Provide the private sector with increased access to MONE services, and
- Increase the MONE's ability to communicate with its constituency.

Adrian Limmen, a Chemonics home office IT specialist, drafted an assessment which analyzed MONE's IT needs and provided recommendations and related cost estimates for the proposed procurement. Based on recommendations and analysis in that assessment, ICI submitted an ADS-548 IT procurement request that is currently under review by USAID.

MONE web portal: ICI is providing technical assistance to improve the capabilities of the MONE's web portal to feature a variety of e-services, applications, and forms as well as information search and download functions from Ministry archives. The extent that ICI will include e-services and other functionalities in the web portal is currently under discussion, but the Project plans to connect any enhancements to workflow software applications that have been developed by the Ministry's Information Technologies Department with support from GIZ.

ICI specialists, working closely with MONE's IT Directorate, have produced a document that sets the proposed vision for the web portal and describes the portal's main functions. In the IT assessment described above ICI staff evaluated and made comprehensive recommendations regarding the technology infrastructure needed to create the portal. In addition, ICI is defining the commitment that will be necessary on the part of MONE to successfully operationalize e-services that have been proposed. Risks and success factors associated with establishment of specific e-services are currently being addressed and discussed.

MONE IT capacity building: In tandem with enhancing MONE's IT infrastructure, ICI works to build the capacity of its IT staff. The Project developed a four module training program for MONE's IT department. Implementation of the last two modules is pending procurement of IT hardware and software to which they relate.

- ICI subcontractor Headway Training Academy provided C# programming training to five ministry employees in the MONE's IT Dept. The 22-day course prepared participants to qualify for certification in both C# Data Access and C# Development.
- SharePoint set-up, usage, and maintenance.
- Database management.
- Network management.

Challenges and lessons learned

- **Status of the PA Cabinet:** On February 14, 2011, the Cabinet of the Palestinian Authority led by Prime Minister Fayyad resigned and their resignations were accepted by President Abbas. Prime Minister Fayyad was asked to form a new government in consultation with different stakeholder groups, institutions, and civil society organizations. The time elapsed for the appointment of a new government and the previous government remains with an interim status. Given the close working relationship with the Ministry of National Economy, the indefinite nature of the minister's appointment injected a high degree of uncertainty into efforts to partner with the Ministry. The continuing lack of certainty concerning the status of the Cabinet of the

Palestinian Authority has imposed some constraints on the Project's ability to undertake long-term activities with government counterparts. However, both MONE and MOF have continued to be fully engaged with ICI and short-term activities have been carried out without significant disruption. The status of the Government, also uncertain due to negotiations to form a "unity government," has not affected ICI's work with private sector organizations.

- **Inactive Palestine Authority Legislative Council:** Reform of the Palestinian commercial legal and regulatory environment has been hampered by the fact that the Palestine Authority Legislative Council has not been active since 2007. As a result, enactment of new laws and amendment of existing laws has only been through Presidential Decree. The President has been reluctant to use his "emergency" powers to enact legislation and understandably has required additional assurance that any laws or amendments enacted through Presidential Decree are of the highest quality. In the event the PA Legislative Council continues to be inactive, the Project will need to provide more support to the MONE related to moving proposed BEE and WTO reforms through the Palestinian Authority's approval process.
- **Coordination between Chemonics International's Projects in the West Bank:** At the request of USAID/West Bank and Gaza Mission, Chemonics International explored cost-savings through collaborations among its various projects located in Ramallah. The related on-going discussions between Chemonics International and the mission have created a fluid staffing environment, particularly regarding shared staff positions with the PJEP project. Agreement with the Mission was reached on the terms under which services from staff members of other Chemonics' West Bank projects could be contracted and two PACE employees began providing IT-related assistance to the project.
- **Alignment of Project, USAID, MONE, and MOF expectations:** During the early stages of the Project's implementation Project activities did not align adequately with the expectations of public and private sector counterparts, including the MONE and MOF. This resulted in misunderstanding and dissatisfaction on all sides. In response, ICI staff, in collaboration with USAID and the ministries, developed a "Vision" and "Operational Plan" for the BEE, WTO, and Fiscal Reform components of the Project, which set forth ICI's objectives and explained how the Project proposes to implement its activities. Both the Vision and Operational Plan were presented to the MONE and USAID in the fourth quarter. This effort brought all stakeholders into a common understanding of the objectives and activities of the Project, paving the way for much smoother implementation in each component.
- **Communications workshop:** ICI held a Communications Workshop with our prime counterpart (MONE) during the last week of September 2011. The workshop was very successful in that it not only helped MONE focus on public and private sector stakeholders, but also improved the Project's communication with the Ministry. It is possible that ICI would have achieved more impact if it had held this workshop earlier in the Project's lifecycle.

Suggested steps to improve component performance and impact

- **Fundamentals of Economics and Trade:** The project plans to provide 12 weeks of targeted training on the fundamentals of economics and trade to the MONE, NTF, and TAT. The program

will focus on the foundations of international trade with a concentration in the fundamentals of economics, trade and development, as well as regional integration. The program will also introduce MONE, NTF, and TAT to the relationship between trade and investment, trade and competition policy as well as dispute settlement. It will then cover the WTO agreements governing trade in goods, trade in services and intellectual property rights. This foundational knowledge will position the Palestinian Authority to grapple with unilateral reform to improve the investment environment and in preparation for WTO membership.

- **Tackling immediate trade issues:** Going forward ICI will use a model of addressing the immediate issues that have an impact on the domestic market environment and which are also important to accession negotiations. This has begun with the work on institutional transparency and direct assistance that was provided to the Ministry of Telecommunications and Information Technology. It should continue with an examination of how the current trade regime influences productivity, government revenue, and the competitiveness of Palestinian industry in the global market.
- **Using the WTO framework to address immediate needs:** The primary value of the WTO is its dispute settlement mechanism which provides for settling trade disputes according to multilateral rules. Going forward ICI will provide specific training in the structure of dispute settlement in the WTO and more importantly the skill set required for effective negotiations. ICI will train MONE staff, the NTF, and the TAT in effective negotiating skills that would be helpful in interministerial consultations, discussions with WTO members, as well as regional trade negotiations which are ongoing. The intent will be to improve the ability of public officials to solve problems within ministries, across ministries, and with important trading partners.
- **Core Expert Team:** ICI is working with the MONE to create a Core Expert Team (CET) comprised of ICI professional staff, ICI subject matter experts, a respected retired judge, local legal counsel, and the Acting Head of the MONE Legal Affairs Directorate, who will serve as the committee chair. The CET will set the priorities for modernization of Palestine's business enabling environment, including changes necessary for WTO membership, and evaluate proposed reforms including draft laws, regulations, and procedures. The CET will have its own legal counsel that is independent of ICI and will from time to time include representatives of other interested public and private sector stakeholders. It is expected that the CET will not only provide closer coordination between the Project and its counterparts, but will also facilitate government approval of proposed reforms, as the public sector will be involved every step of the way. Through the CET the PA government will have firsthand knowledge of why a proposed reform is important, as well as the quality of any proposal. Public sector members of the CET will be available to respond to any PA government inquiries or concerns and will be well placed to facilitate swift adoption.
- **PA Legislative Agenda 2013-2017:** ICI assistance to the MONE related to the development of its contribution to the PA Legislative Agenda 2013-2017 will also help clarify BEE and WTO reform priorities. Both the Project and the MONE can use the new legislative agenda to set priorities and schedule activities related to improving the business legal and regulatory framework and preparing for accession to the WTO.

- **Language difficulties:** While many of the staff at the MONE speak English, their facility with the language does not meet the level required for highly technical legal and trade policy discussions. As a result, meetings between the Project and MONE that were held in English without dedicated interpretation services resulted in confusion over exactly what had been said. ICI started using interpreters for presentations and important meetings to assure complete understanding of events. Further, ICI now routinely translates any written work product into Arabic. The Project and its counterparts would benefit greatly from having dedicated technical translation/interpretation staff.

COMPONENT TWO: FISCAL REFORM

The ICI Fiscal Reform Component is assisting the PA in improving revenue yield from domestic taxes in order to support a more sustainable fiscal position. This improvement will contribute significantly to the all-important goal of reducing the PA's budget gap which currently stands at 19.3% of GDP and reducing chronic dependence on donor support. In carrying out related technical assistance, ICI is working in coordination with other USAID-funded projects in West Bank/Gaza, notably TFP and PACE, to continue to build on technical assistance that has been provided on tax administration reform and related infrastructure improvement.

In the National Development Plan 2011-2013, the PA gave special focus to fiscal reform in the Public Finance Strategy Sector. Throughout these three years, the ICI Project is providing technical assistance to the MOF in keeping with the Plan's related provisions, specifically assisting MOF in implementing tax administration reforms designed to increase revenues as a current priority and in developing sustainable, transparent fiscal policy.

The PA faces well-documented financial challenges, particularly in light of a budget deficit of approximately 40%. While the PA has improved budget performance over the past few years through substantial expenditure reform, the MOF is now seeking to increase revenues as a primary tool of deficit reduction.

The PA projects annual increases in revenues to reach 25.4%, 26.5%, and 27.7% as a percentage of the GDP over the years of the ICI Project's term (2011-2013). Achieving such increases in revenues is a primary responsibility of the revenue-related departments at MOF. To support achievement of these targets, the MOF has requested that the ICI Project provide technical assistance to implement recent recommendations of the IMF that are designed to improve income tax and VAT administration.

In response to the Ministry's request for assistance in achieving these goals, ICI is providing:

- Institutional capacity building for the VAT and Income Tax Directorates of the Revenue Department in planning, developing, implementing, and reviewing tax policy;
- Needs assessment of technical and institutional gaps related to meeting the revenue targets;
- Expert review of tax laws, regulations, and procedures against international best practices and against the MOF's technical ability to meet the revenue targets;
- Related capacity building, training, and STTA advice for development and implementation of related policies and procedures;
- Support for establishing the Large Taxpayer Office and making it functional;
- Facilitation of tax reporting and paying through computerization and implementation of online information and functions; and
- Public outreach activities designed to increase information to taxpayers, increase taxpayer understanding of tax policies, and improve taxpayer confidence in the MOF's performance and systems.

Capacity Development at the MOF: ICI provides targeted training to the MOF's VAT and Income Tax Directorates, the Large Taxpayers Office, and the Tax Computer Directorate. These trainings address different aspects of ICI-proposed enhancements to the MOF's revenue collecting procedures.

- ICI carried out training for 46 new VAT Directorate employees, aimed at developing customer care skills and providing instruction on how to most effectively assist taxpayers, raise taxpayer satisfaction, increase tax collection, and increase employees' loyalty to work.
- Preparations were completed for conducting a workshop concerning the VAT System Book, VAT forms, and a new draft of the VAT user's manual. ICI will conduct this training in the next quarter.
- The ICI tax development specialist is currently providing assistance to thirteen Income Tax Directorate offices on the new income tax operations manual. At the end of the reporting period, training had been completed in five of the thirteen offices.
- ICI has made preparations for training of 50 employees from the Income Tax Directorate on advanced customer service skills, which started in October 2011.
- ICI's tax development specialist initiated on the job training for Income Tax Directorate employees at the LTPO on auditing taxpayer files. This training will continue for two months for 11 employees.
- ICI conducted a workshop for 15 employees from the Tax Computer Directorate (TCD) on the new Income Tax Operations Procedures Manual. This training is designed to increase TCD employees' knowledge of new procedures in order to build their capacity to develop computer systems related to income tax.



October 6, 2011: Graduation of trainees from VAT and Income Tax Directorates

MOF manuals and resources: ICI assisted and continues to assist in the creation and publishing of manuals and other resources for the MOF's revenues directorates.

- ICI published 200 copies of the new VAT System Book, which are ready for use in the training of new VAT Directorate employees and Income Tax Directorate auditors.
- ICI developed and printed the income tax operations procedures manual as a book. This resource is currently being used in trainings at 13 Income Tax Directorate offices.
- The director general of the Income Tax Directorate informed ICI that a new income tax law is expected to be signed by the President very soon. The MOF asked for ICI assistance to print the new law in book form, translate it into English, conduct introductory workshops about the new law for Income Tax Directorate employees, assist the MOF to develop the new implementing

regulations, print the bylaws in book form, and help them to design and print the related forms. These activities will likely take place in the next quarter.

MOF Tax Awareness: After conducting preliminary meetings with four of the MOF's Revenues General Directorates (VAT, Property Tax, Income Tax, and Customs), ICI developed an activities matrix for assisting the directorates to enhance taxpayers' perception of the MOF. The matrix describes potential activities ICI will sponsor. Following this, Property Tax Directorate submitted a comprehensive proposal and budget for increasing tax awareness. At the time of reporting, ICI is reviewing the materials budget, conferring with other involved donors regarding their plans to support this directorate's efforts, and finalizing the preparations to conduct a workshop on tax awareness at the beginning of October 2011.

IT assessment report: An important subordinate objective of the fiscal reform component is to improve commercial tax collection procedures. A key step toward achieving that critical objective is ICI's IT assessment for the MOF. The PACE project IT specialist, ICI's fiscal reform team leader, and a home office IT specialist conducted an independent assessment in order to determine the IT needs for the Value Added Tax, Income Tax and Computer Tax Directorates of the Ministry of Finance. Computerization will directly contribute to addressing four of the six MOF Fiscal Reform priorities, recommended by the IMF, and stated in ICI's approved work plan. They are: establishment of taxpayer self-assessments, modernization of the Large Taxpayer Office, modernization of electronic tax reporting, and improvement of the Value Added Tax Directorate capabilities.

ICI submitted an ADS 548 Review which was approved in early September. Both the Chemonics home office, the ICI field office, as well as PACE staff, worked together to complete the necessary steps for procurement of the proposed hardware and software to be utilized by the MOF as they seek to modernize their service delivery. This procurement is currently on hold due to the reduced spending plan, but the Project is ready to move forward with it as soon as funding is received.

Challenges and lessons learned

- The Project experienced difficulty and delay in reaching agreement with the Ministry of Finance on technical assistance to be provided through ICI's component on fiscal reform. This situation left the component at risk of being delayed or eliminated. Consequently, activities related to fiscal reform could not be incorporated into the Project's planning documents, notably the Year One Work Plan and the Performance Management Plan. ICI overcame these obstacles and began implementing the fiscal reform component in the second quarter, but these initial delays slowed the technical start-up and injected uncertainty in some of the key staffing and office space decisions.
- As with the first component, the Palestinian Legislative Council's inactivity since February 2011 has significantly hampered ICI's work on fiscal reform legislation. While this situation makes it much more difficult to pass new laws, ICI's fiscal reform team continues to review, draft, and develop fiscal laws, passing them on to the MOF for review and action.
- There is not a common communication strategy and mechanism at the MOF. The various MOF revenue departments operate separately, hindering ICI's efforts to streamline MOF services. To address this challenge, ICI will conduct a workshop in October, bringing the four revenue

directorates together to develop a unified framework on tax awareness. The workshop featured a strong focus on expanding inter-directorate lines of communication.

Suggested steps to improve component performance and impact

- There is a prominent need to enhance and strengthen coordination between the revenues directorates. Such collaboration would render services to taxpayers more efficient, accurate, and prompt.
- The ICI fiscal reform team believes that the MOF needs to take concrete steps on key areas of their priorities. Examples of such steps are the integration of VAT and Income Tax directorates and the implementation of PATACS. Although these are MOF priorities, there is no clear implementation schedule, which limits ICI's ability to intervene with technical assistance.
- ICI makes its achievements more sustainable by delegating some tasks to the trained MOF staff. The Project should and will continue to do this.
- Although ICI has been active in coordinating with donors such as the IMF and DFID, collaboration between donors on fiscal reform activities could be improved.

CROSS-CUTTING INITIATIVES

Grants

Up to the end of this reporting period, the ICI team has prepared for the distribution of grants to several private sector entities, trade associations, civil society organizations, and universities. The program is structured around: academia, research, institutional strengthening, capacity building, and advocacy. When the reduced spending plan was put into effect these plans were put on hold pending restoration of funding. However, the preparations that have been made will allow ICI to move forward with many of these grants as soon as a new funding obligation is received.



August 25, 2011: ICI grants informational meeting

University programs: ICI has made plans with both Al Quds University and Al Najah University to assist in the creation of specialized degree programs in international trade law and policy, aimed at enhancing the knowledge and expertise of Palestinian academics, private sector leaders, and government employees.

STTA Jim Taylor carried out an assignment in July and August that laid the groundwork for a curriculum in international trade law and economics that will constitute core courses for the master's degree program at Al Quds University. He also assisted the university in completing the project concept document and estimated budget that will constitute the basis for the anticipated grant. During his assignment Mr. Taylor also spent a week with Al Najah University in Nablus reviewing the resources available to support a proposed degree program.

Following Mr. Taylor's assignment, ICI conducted organizational and programmatic assessments of both universities. At the same time, ICI received concept papers from the universities. ICI found the concept papers to lack sufficient detail and planning for a full degree program. Accordingly, ICI intends to scale back the ambition of the programs to achieve a practicable academic program that will decidedly improve the faculty expertise in trade law and economics during the life of the ICI project. This initiative is currently on hold due to the constraints of the reduced spending plan, but the Project is ready to move ahead with these grants after new funding is received.

Annual Program Statement (APS): Released July 21, 2011, the APS covers capacity building and institutional strengthening for eligible organizations, advocacy, research studies, and gender considerations. Through the APS, organizations are encouraged to submit brief concept papers as the first step in receiving a grant from ICI. ICI will be accepting and reviewing these concept papers until December 31, 2011. To date, ICI has received 18 concept papers in response to the APS. ICI has requested full grant applications and revised concept papers from approximately half of the applications received. Should ICI received further funding, the full applications will be reviewed and grants will be structured for approval.

Requests for Applications (RFAs): Three were released on July 22, 2011. Originally set to close on August 22, 2011, the deadlines were extended prior to a grant information event in Ramallah that brought together more than 90 individuals representing private sector, civil society, academia, youth organizations, media, and other NGOs. At the deadline, 24 applications had been received in response to the RFAs.

- RFA-2011-001 covers training in intellectual property rights issues for judges and attorneys.
- RFA-2011-002 includes youth and intellectual property rights.
- RFA-2011-003 covers improvements to the regulatory framework for meeting WTO obligations.

Organizational Needs Assessments (ONAs): ICI conducted ONAs to learn about several organizations that have potential as recipients of grants funds. The assessments focused on the background and main programs, organizational capacity, and linkages to the private sector in terms of investment, government relations, advocacy, trade and trade agreements, intellectual property, and policy and legislative analysis capabilities. These assessments are a preliminary step toward determining an organization's capacity to successfully manage grant funds. ICI has completed ONAs for over 25 organizations.

Monitoring and Evaluation

ICI short-term M&E Specialist Sonnya Valencia provided extensive monitoring and evaluation support and training during her month-long assignment. During the course of her assignment she:

- Completed templates for data collection;
- Created a Baseline Sources and Methodologies document;
- Designed diagrams to illustrate staff roles and responsibilities in M&E activities to be included in the revised PMP and used for staff training activities;
- Designed a filing structure to be used in the M&E shared folder;
- Selected the indicators needed for the activities in the WTO and Fiscal Reform Operational Plans (Year two);
- Met with the Grants Manager to discuss the M&E sections needed for the RFAs/APSs and for the grants documents;

- Met with the PACE M&E specialist to identify synergy opportunities for data sources and collection;
- Revised the ICI PMP;
- Presented an overview of ICI's new M&E system to the entire ICI staff.

In accordance with the newly released State Department Foreign Assistance Indicators, ICI delivered a new set of PMP indicators to USAID on September 18, 2011 and finalized the indicator list in a meeting held with USAID on September 20, 2011.

Communications Strategy

The Deputy Chief of Party, Maher Hamdan, has overall responsibility for developing and implementing a public outreach and awareness strategy for the Project. After joining ICI in mid-April, he began conferring with Project counterparts and stakeholders on ways in which this cross-cutting area of activity can best be structured.

Both components of the Project will undertake public outreach and awareness activities, addressing issues related to trade policy, the business enabling environment, and fiscal reform. Based on the visions and operations plans that were developed for the Project's components, a communication strategy and implementation plan was developed to support ICI's objectives. The plan was developed in consultation with key staff and key stakeholders, taking into consideration previous efforts by individual consultants and a local public relations firm.

In addition, and as part of the communication strategy development process, the project conducted two communications working sessions with key counterparts. The first workshop was held on September 26, 2011 with MONE staff drawn from various departments. The second was held with MOF staff and attended by the four revenue department directors and related staff and will be held on October 26. The workshops were interactive, with numerous small groups and were designed to engage counterparts in the communications strategy and related plans. The grants under contract program will be an important tool for supporting the communications and advocacy campaigns.

With assistance from a staff member from PACE, ICI staff prepared a video on the importance of IPR protection and IPR-related issues that features the Minister of National Economy and spokesmen for the Ministry of Culture as well as Palestinian private sector businesses that require strength protections. The video was released in the fourth quarter after review by MONE and USAID.

Public-Private Partnerships

Harnessing the expertise, experience, and enthusiasm of the private sector into the Project's efforts toward both WTO accession and fiscal and policy reform is one of ICI's central goals. The Project works to this end by continually involving members of the private sector in the development of the WTO accession preparations as well as in proposed fiscal and policy reforms. The ICI communications and outreach strategy also targets the private sector, as detailed above.

Subcontractor Capacity Building

The Project uses subcontracts with private sector counterparts, including prominent PSOs, as a capacity building and training tool. During the performance of a sub-contract ICI gives guidance and support to its subcontractors. For example, ICI entered into subcontracts with the Business Women's Forum, PalTrade, and Palestinian Federation of Industries to survey 150 companies in the industrial and service sectors, in addition to women-owned business. ICI staff assisted these PSOs in the design of an effective survey questionnaire and in the drafting of their final reports.

Donor coordination

The ICI team is committed to leveraging the complementary work of different projects and donors to deliver the most effective assistance possible to MOF and MONE. Some examples of donor coordination include the following:

- MONE and MOF IT assessments took other donors' plans and activities into consideration. In some cases, this meant foregoing the procurement of some equipment that other donors were already planning to deliver to the ministries.
- The Project regularly consults and coordinates with the Chemonics-implemented PACE, PJEP, and TFP projects. For example, ICI learned from the MONE that the PA was considering a law creating a Commercial Court Division and referred the ministry to the PJEP team.
- A USAID meeting with DFID, MOF, and IMF recommended that ICI expand its work with MOF; ICI complied.
- BEE vision-setting meetings included GIZ to assure that it complemented activities being implemented by the German donor. To ensure continued cooperation, ICI and GIZ set up periodic coordination meetings.
- After ICI learned of a MOU between the MONE and the International Finance Corporation, it organized periodic meetings with the IFC to discuss coordination with their program.
- ICI regularly sends staff to attend other donors' presentations to learn and find ways to coordinate technical assistance.

Participation and benefits associated with gender and marginalized populations

All project activities have an integrated, gender-sensitive approach that aims to benefit both men and women, and focuses on creating enhanced opportunities for women in both public and private sectors.

Short-term gender specialist Suzanne Savage was hired and fielded to Ramallah to conduct a gender assessment and to assist in the development of a draft ICI Project Gender Strategy. The report outlining the strategy was delivered to USAID on November 12, 2010. The MONE Steering Committee for the project, developed by ICI and the Ministry in conjunction with USAID/West Bank and Gaza, reviewed the document and provided edits and inputs that were incorporated in subsequent versions. The gender strategy was well received by the Minister of National Economy who is a strong advocate for increased participation by women in the Palestinian economy. This Gender Strategy continues to be a guiding document in ICI's daily operations.



January 12, 2011: Gender Strategy Seminar

In January 2011, ICI held a gender seminar as a public consultation on its draft Gender Strategy. Participants focused their comments on property rights, government services to business, education, public awareness, and direct assistance to women-owned/operated firms. Among areas requiring policy reforms that were discussed are obstacles to women's exercise of property rights, access to capital, and equitable treatment in the labor market. Participants highlighted some of the constraints that women-owned and operated firms face in the marketplace. They suggested that firms and entrepreneurs need greater access to information about standards in export markets of interest. The seminar produced recommendations, suggested activities, and a potential social marketing campaign to improve conditions for women's engagement in the economy.

In response to the outcome of the seminar, ICI staff members are working with staff at MONE and the Ministry of Women's Affairs to identify specific project activities that can enhance economic opportunities for women in Palestine in keeping with the Project's mandate.

ANNEX A: SUMMARY OF MAIN PROJECT AND CONTRACT DELIVERABLES

Deliverable	Submission Date in Contract	Submission Date	Status
Initial Annual Work Plan	Within 45 days of Task Order execution	11/12/10	Approved
Annual Work Plan Y2	Within 30 days before completion of each year	10/06/11	Approval pending
Performance Monitoring Plan (PMP)	Within 45 days of Task Order execution	11/14/10	Approved
Gender Strategy	Within 45 days of Task Order execution	11/14/10	N/A
Weekly Progress Reports	Weekly	Weekly since 10/29/11	N/A
Quarterly Performance Reports	30 days after the end of each quarter	Q1: 1/30/11 Q2: 4/30/11 Q3: 7/30/11	N/A
Quarterly Financial Accrual and Projections Reports	By the 20th of the final month of the quarter or as requested by COTR	Q1: 12/15/11 Q2: 3/20/11 Q3: 6/20/11	N/A
Annual Performance Reports	In lieu of a 4 th quarterly report each year	10/31/11	Delivered
Grants Manual	No later than 90 days from award	No submission requested by USAID	Not required
TraiNet Reporting	TraiNet Database should be updated immediately after an applicable training takes place	ICI updates TraiNet after every applicable training	Updates completed
Geo-MIS	Monthly		Updates completed
Success Stories and press releases	As appropriate when successes arise and subject to the COTR's review and approval		
Final Report	Due no later than 90 days after the completion of the award		

Deliverable	Submission Date in Contract	Submission Date	Status
Special Reports and Memorandums	As requested by COTR, or if deemed necessary by the contractor		
A. ICI Accomplishments to Date		10/6/11	Delivered
B. Operational Indicator and accomplishments		10/12/11	Delivered
Reports by Short-Term Technical Assistance (TA) Providers	Within 21 days of completion of Consultancy		
<i>A. Amelia Porges (WTO Overview: focus on observership & GATT)</i> Consultancy: 3/15/11 - 5/30/11			
1. Trip report		1. 6/13/11	1. Delivered
2. Observorship Brief		2. 6/21/11	2. Delivered
<i>B. Polly Maier (TRIPS)</i> Consultancy: 3/20/11 - 6/30/11			
1. Comprehensive review of legislative framework for Industrial Property Rights: Memos covering 6 draft laws & 7 areas		1. 6/12/11	1. Delivered
2. Draft law on enforcement		2. 6/16/11	2. Delivered
3. Trip report		3. N/A	3. N/A
<i>C. Craig Blakely (E-commerce transactions and cybercrime prevention)</i> Consultancy: March and April 2011			
1. Memorandum re: e-signature provision of draft Palestinian e-transaction law		1. 2/23/11	1. Delivered
2. Memorandum re: cybercrime provision of draft transaction law		2. Not dated	2. Delivered

Deliverable	Submission Date in Contract	Submission Date	Status
<i>D. Richard Self</i> (WTO transparency obligations) Consultancy: 4/1/11 - 6/30/11			
1. Trip report 2. Transparency Rules and WTO Accession Paper		1. 6/13/11 2. 6/16/11	1. Delivered 2. Delivered
<i>E. Laurie Sherman</i> (GATS with focus on telecom) Consultancy: 5/1/11 - 6/30/11			
1. Trip Report delivered 2. Technical Report: a) Comparative matrices of GATS schedules (3) b) Report on WTO's expected concessions from PA on telecom & reference paper c) Report on PA's legal framework for tele-communications vis-à-vis WTO		1. 6/11/11 2. 6/24/11	1. Delivered 2. Delivered
<i>F. James Taylor</i> (Design/implementation of a graduate degree program in trade law/policy) Consultancy: 6/20/11-7/4/11			
1. Project Paper: Al-Quds University 2. Project Paper: An-Najah University		1. August 2011 2. August 2011	1. Delivered 2. Delivered

ANNEX B: SUMMARY TABLE OF INDICATORS

PE Code	PE Name	GOE MIS Indicator Code	ICI PMP CODE	Indicator Name	Indicator Format	PMP Indicator Type	OUTCOME / OUTPUT	Baseline Value	Starting Fiscal Year	Planned Value for FY1	Actual Value for FY1
4.1.1	Fiscal Policy	TIC024	C-OP	Number of policy reforms/regulations/administrative procedures drafted and presented for public/stakeholder consultation as a result of USG assistance	Integer	OP_std	Output	0	FY11	10	2
4.1.1	Fiscal Policy	OPE143	D-OP	Number of key personnel in fiscal policy and fiscal administration trained with USG assistance	Integer	OP_std	Output	0	FY11	50	38
4.1.1	Fiscal Policy	OPE145	D-OP (F)	Number of key personnel in fiscal policy and fiscal administration trained with USG assistance (women)	Integer	OP_std	Output	0	FY11	10	3
4.1.1	Fiscal Policy	OPE144	D-OP (M)	Number of key personnel in fiscal policy and fiscal administration trained with USG assistance (men)	Integer	OP_std	Output	0	FY11	40	35
4.1.1	Fiscal Policy	TIC039	3.1.1	Number of produced manuals to facilitate delivery of fiscal reform procedures	Integer	Mgmt	Output	0	FY11	1	2
4.1.1	Fiscal Policy	TIC040	3.1.2	Number of people trained on fiscal reform procedures, enforcement and service delivery	Integer	Mgmt	Output	0	FY11	50	219
4.1.1	Fiscal Policy	TIC042	3.1.2 (F)	Number of people trained on fiscal reform procedures, enforcement and service delivery (women)	Integer	Mgmt	Output	0	FY11	10	69
4.1.1	Fiscal Policy	TIC041	3.1.2 (M)	Number of people trained on fiscal reform procedures, enforcement and service delivery (men)	Integer	Mgmt	Output	0	FY11	40	150
4.1.1	Fiscal Policy	TIC043	3.2.1	Percentage of companies reporting VAT collections	%	Mgmt	Outcome	0	FY11	10%	50%
4.1.1	Fiscal Policy	TIC044	3.2.2	Percentage of companies filing tax returns electronically	%	Mgmt	Outcome	TBD	FY11	10%	

4.1.1	Fiscal Policy	TIC026	3.3.1	Percentage of increased understanding among Palestinian public of obligation to pay taxes	%	Mgmt	Outcome	TBD	FY11	10%	
4.2.1	Trade and Investment Enabling Environment	TIE012	1.1.1	Number of new policies and practices proposed in accordance with WTO's general obligations and various agreements (e.g. GATT, GATS, TRIPS, etc)	Integer	Mgmt	Output	0	FY11	75	60
4.2.1	Trade and Investment Enabling Environment	TIE013	1.1.2	Number of identified policies requiring a grace period based on the unique sectoral needs of the private sector within different obligations and agreements of WTO	Integer	Mgmt	Output	0	FY11	3	3
4.2.1	Trade and Investment Enabling Environment	TIE014	1.1.3	Number of activities (workshops, focus groups, diagnostic studies, etc) addressing gaps in WTO compliance	Integer	Mgmt	Output	0	FY11	20	18
4.2.1	Trade and Investment Enabling Environment	TIE015	1.1.4	Number of ICI-sponsored activities (including internships, research papers, business trainings, etc) aimed at engaging women in the economy	Integer	Mgmt	Output	0	FY11	2	2
4.2.1	Trade and Investment Enabling Environment	TIE016	1.1.5	Percentage of organizations with gender-specific activities participating in ICI project activities	%	Mgmt	Outcome	0	FY11	5%	7%
4.2.1	Trade and Investment Enabling Environment	TIE017	1.2.1	Number of Public-Private Dialogues on WTO obligations	Integer	Mgmt	Output	0	FY11	5	13
4.2.1	Trade and Investment Enabling Environment	TIE010	1.2.2	Number of implementing regulations adopted	Integer	Mgmt	Output	0	FY11	5	5

4.2.1	Trade and Investment Enabling Environment	TIE011	1.3.1	Percentage of increased understanding of joining the WTO among the Palestinian business and academic community	%	Mgmt	Outcome	15%	FY11	30%	0
4.2.1	Trade and Investment Enabling Environment	TIE018	1.3.2	Number of media placements (broadcast, print) portraying women's meaningful role in commerce and government	Integer	Mgmt	Output	0	FY11	5	0
4.2.2	Trade and Investment Capacity	OPE0050	A-OP	Number of participants in USG supported trade and investment capacity building trainings	Integer	OP_std	Output	0	FY11	100	0
4.2.2	Trade and Investment Capacity	TIC022	A-OP (F)	Number of participants in USG supported trade and investment capacity building trainings (women).	Integer	OP_std	Output	0	FY11	33	0
4.2.2	Trade and Investment Capacity	TIC021	A-OP (M)	Number of participants in USG supported trade and investment capacity building trainings (men)	Integer	OP_std	Output	0	FY11	67	0
4.6.1	Business Enabling Environment	TIC023	B-OP	Business Enabling Environment improved – Number of changes made to business enabling environment	Integer	OP_std	Output	0	FY11	5	5
4.6.1	Business Enabling Environment	TIC027	2.1.1	Number of relevant PA officials and TAT members trained in WTO Agreements	Integer	Mgmt	Output	0	FY11	31	0
4.6.1	Business Enabling Environment	TIC028	2.1.2	Number of Palestinian delegations to WTO events to increase understanding of WTO membership	Integer	Mgmt	Output	0	FY11	2	2
4.6.1	Business Enabling Environment	TIC029	2.1.3	Number of activities (e.g. workshops, trainings, seminars, roundtables, courses, and on-the-job trainings) conducted on trade policy and commercial issues	Integer	Mgmt	Output	0	FY11	10	10
4.6.1	Business Enabling Environment	TIC030	2.1.4	Number of activities attended by relevant PA officials and TAT members on trade and policy	Integer	Mgmt	Output	0	FY11	50	18

4.6.1	Business Enabling Environment	TIC032	2.1.4 (F)	Number of activities attended by relevant PA officials and TAT members on trade and policy (women)	Integer	Mgmt	Output	0	FY11	10	0
4.6.1	Business Enabling Environment	TIC031	2.1.4 (M)	Number of activities attended by relevant PA officials and TAT members on trade and policy (men)	Integer	Mgmt	Output	0	FY11	40	0
4.6.1	Business Enabling Environment	TIC033	2.2.1	Number of improvements to existing commercial laws recommended	Integer	Mgmt	Output	0	FY11	2	2
4.6.1	Business Enabling Environment	TIC034	2.2.2	Number of new commercial laws drafted	Integer	Mgmt	Output	0	FY11	1	1
4.6.1	Business Enabling Environment	TIC035	2.2.3	Number of revised commercial laws implemented and enforced	Integer	Mgmt	Output	0	FY11	2	0
4.6.1	Business Enabling Environment	TIC036	2.2.4	Number of workshops/seminars conducted to discuss proposed revised legislation	Integer	Mgmt	Output	0	FY11	5	2
4.6.1	Business Enabling Environment	TIC037	2.3.1	Number of procedures for starting a business reduced	Integer	Mgmt	Outcome	11	FY11	7	3
4.6.1	Business Enabling Environment	TIC025	2.3.2	Required time for licensing a new business reduced by (%)	%	Mgmt	Outcome	49	FY11	50%	36%
4.6.1	Business Enabling Environment	TIC038	2.3.3	Number of users accessing MONE's online services	Integer	Mgmt	Outcome	0	FY11	200	0

ANNEX C: EXPLANATION OF INDICATOR-ACCOMPLISHMENT DEVIATIONS

Indicator: Number of policy reforms/regulations/administrative procedures drafted and presented for public/stakeholder consultation as a result of USG assistance			
Code: TIC024	Target: 10	Actual: 2	Accomplished: 20%
Explanation: The Ministry of Finance decided that ICI should focus on training newly adopted policy reforms versus drafting new ones.			

Indicator: Number of key personnel in fiscal policy and fiscal administration trained with USG assistance			
Code: OPE143	Target: 50	Actual: 38	Accomplished: 76%
Explanation: The Ministry of Finance requested the initial training priorities be shifted to training on fiscal reform procedures versus training of key personnel.			

Indicator: Number of produced manuals to facilitate delivery of fiscal reform procedures			
Code: TIC039	Target: 1	Actual: 2	Accomplished: 200%
Explanation: In our assessment of training needs at the Ministry of Finance, we identified serious gaps in documenting processes and procedures. ICI took this opportunity to produce the Income Tax User's Manual and the VAT Regulations Manual.			

Indicator: Number of people trained on fiscal reform procedures, enforcement, and service delivery			
Code: TIC040	Target: 50	Actual: 219	Accomplished: 438%
Explanation: There were new procedures at the income tax directorate. The Ministry of Finance wanted to train all relevant employees.			

Indicator: Percentage of companies reporting VAT collections			
Code: TIC043	Target: 10%	Actual: 50%	Accomplished: 500%
Explanation: The percentage of companies reported was underestimated.			

Indicator: Percentage of companies filing tax returns electronically			
Code: TIC044	Target: 10%	Actual: -	Accomplished: -
Explanation: The Ministry of Finance has not deployed the electronic returns system. ICI does not have control of when the automation process will happen.			

Indicator: Percentage of increased understanding among Palestinian public of obligation to pay taxes			
Code: TIC026	Target: 10%	Actual: -	Accomplished: -
Explanation: ICI is currently designing its initial Tax Awareness efforts. The Ministry of Finance decided this was not a priority. As part of those efforts, ICI will be measuring the current baseline and the effect on this indicator.			

Indicator: Number of new policies and practices proposed in accordance with WTO's general obligations and various agreements (e.g. GATT, GATS, TRIPS, etc).			
Code: TIE012	Target: 75	Actual: 67	Accomplished: 89%
Explanation: The project phasing for the WTO focused on observer status first, then focused on policy analysis on WTO obligations.			

Indicator: Number of activities (workshops, focus groups, diagnostic studies, etc) addressing gaps in WTO compliance			
Code: TIE014	Target: 20	Actual: 18	Accomplished: 90%
Explanation: We overestimated the number of these events that could be held in the time period.			

Indicator: Percentage of organizations with gender-specific activities participating in ICI project activities			
Code: TIE016	Target: 5%	Actual: 7%	Accomplished: 140%
Explanation: ICI's January gender seminar enabled many women's organizations to learn about the project and consequently they participated in subsequent ICI activities.			

Indicator: Number of Public-Private Dialogues on WTO obligations			
Code: TIE017	Target: 5	Actual: 13	Accomplished: 260%
Explanation: The project exceeded the original projection of five public-private dialogues by eight as a result of early recognition that medium-sized roundtables of 15 to 20 people are an effective means of exchanging views on trade policy issues related to the WTO.			

Indicator: Percentage of increased understanding of joining the WTO among the Palestinian business and academic community			
Code: TIE011	Target: 30%	Actual: -	Accomplished: -
Explanation: Although three intensive trade symposia on the WTO took place with a broad range of stakeholders, measuring an increase in understanding requires a baseline study. ICI will carry out a baseline as soon as it is feasible to enable the measurement of future increases in understanding of the WTO.			

Indicator: Number of media placements (broadcast, print) portraying women's meaningful role in commerce and government			
Code: TIE018	Target: 5	Actual: 1	Accomplished: 20%
Explanation: The project developed a five-minute video on intellectual property rights for broadcast online and at public events. Additional media placements are expected in the second year of the project.			

Indicator: Number of participants in USG-supported trade and investment capacity building trainings			
Code: OPE0050	Target: 100	Actual: 0	Accomplished: 0%
Explanation: MONE expressed reservations at having stakeholders submit to the vetting process. Since July, MONE has been more amenable to vetting. The MONE remains concerned about the vetting process.			

Indicator: Number of relevant PA officials and TAT members trained in WTO Agreements			
Code: TIC027	Target: 31	Actual: 0	Accomplished: 0%
Explanation: MONE expressed reservations at having stakeholders submit to the vetting process. Since July, MONE has been more amenable to vetting. The MONE remains concerned about the vetting process.			

Indicator: Number of activities attended by relevant PA officials and TAT members on trade and policy			
Code: TIC030	Target: 50	Actual: 18	Accomplished: 36%
Explanation: The National Task Force made up of mainly Palestinian Authority officials and the Technical Assistance Team were not convened by MONE until May of 2011.			

Indicator: Number of revised commercial laws implemented and enforced			
Code: TIC035	Target: 2	Actual: 0	Accomplished: 0%
Explanation: Since 2006 the Palestinian Legislative Council has not been in session. During this period President Abbas has used his power to issue Presidential Decrees sparingly. Only a handful of laws have been enacted or revised and only recently. As a result, none of the commercial laws on which ICI made recommendations have been implemented or enforced.			

Indicator: Number of workshops/seminars conducted to discuss proposed revised legislation			
Code: TIC036	Target: 5	Actual: 2	Accomplished: 40%
Explanation: Until recently, ICI legislative work focused on gap analysis, collection, and translation of laws and regulations.			

Indicator: Number of procedures for starting a business reduced			
Code: TIC037	Target: 7	Actual: 3	Accomplished: 43%
Explanation: During this period the International Finance Corporation took the lead on reducing business registration procedures. In its second year ICI will be working in partnership with the International Finance Corporation to streamline the business licensing process.			

Indicator: Required time for licensing a new business reduced by (%)			
Code: TIC025	Target: 50%	Actual: 36%	Accomplished: 72%
Explanation: Business licensing, although a separate procedure, is part of the overall business registration process. Business licensing is the purview of local governments at the municipal level making this a more difficult task than anticipated.			

Indicator: Number of users accessing MONE's online services			
Code: TIC038	Target: 200	Actual: -	Accomplished: -
Explanation: The Ministry of National Economy does not currently offer online services. ICI will be working with MONE to create such services during the lifetime of the project.			

ANNEX D: SUMMARY OF GEO-MIS ACTIVITIES

1) Number of activities added/updated in Y1:

Activity Type Code and Title	Design	On Going	On Hold or Delayed	Closed	Completed	Total
P209 Trade related Training and workshops	0	17	0	0	1	18
P207 Trade related Information Dissemination/Public Outreach	1	1			4	6
P205 Technical Assistance / Capacity Building to trade related PA Institutions					13	
<i>Total # of added/updated activities</i>	1	18			18	37
Total # of activities in Geo-MIS for the whole program	1	18			18	37

2) Y1 program updates:

Category	Added/Updated this reporting period	Date of last update	Comments
Overall Goals	<i>No</i>	May 2011	Overall Goals are updated once per year
Overall Achievements	Yes	May 2011	Overall achievements are updated each quarter
FY11 Goals	<i>No</i>	June 2011	Overall achievements are updated once per year
FY11 Achievements	Yes	June 2011	Overall achievements are updated each quarter
Planned Events	<i>0 added</i>	August 2011	
Success Stories	<i>0 added</i>		ICI has two success stories currently under development
Pictures	<i>71 added</i>	July 2011	
Documents	<i>0 added</i>		
Sub Partners	<i>2 added</i>	August 2011	ICI requests USAID assistance in adding Headway Training Academy, Ellam Tam, Business Women Forum, Equity Legal Group, Advance Consulting Services
PMP Indicators FY11 Results	<i>15 indicators updated 37 total number of indicators</i>		

3) PMP Indicators

- i. Geo-MIS PMP Matrix report (PMP & PPR indicators) submitted.
- ii. List of proposed PMP indicators to be added or dropped (*if any*). **N/A**